

MINUTES OF THE MEETING OF THE
SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY
HELD MONDAY, JULY 9, 2007

The Springfield Economic Development Agency met in the Library Meeting Room, 225 Fifth Street, Springfield, Oregon, on Monday, July 9, 2007 at 6:45 p.m., with Board Chair John Woodrow calling the meeting to order.

ATTENDANCE

Present were Board Chair John Woodrow and Board Members Anne Ballew, Sid Leiken, Christine Lundberg, Joe Pishioneri, Dave Ralston, and Faye Stewart. Also present were Community Development Manager John Tamulonis and City Recorder Amy Sowa.

Board Members Wylie and Dwyer were absent.

APPROVAL MINUTES

- a. Minutes of June 25, 2007.

IT WAS MOVED BY BOARD MEMBER STEWART WITH A SECOND BY BOARD MEMBER PISHIONERI TO APPROVE THE JUNE 25, 2007 SEDA MINUTES. THE MOTION PASSED WITH A VOTE OF 7 FOR AND 0 AGAINST (2 ABSENT – WYLIE AND DWYER).

COMMUNICATIONS

- a. Business from the Audience

None.

- b. Correspondence

None.

- c. Business from the Staff

SEDA staff member John Tamulonis said they were still looking for a resident in the unincorporated area of Glenwood that was in a mobile home park to serve as a member of the Glenwood Renewal Advisory Committee (GRAC). Staff would try to bring back a recommendation in the fall.

Mr. Tamulonis noted that the Springfield Council was interested in forming a Downtown Urban Renewal District that would most likely be separate from the Glenwood Urban Renewal District, but administered by this SEDA agency. SEDA would be notified if Council chose to go to an election on November 6. On July 23, the City Council would be looking at possible boundaries for that district. If that went forward, a plan report would be drafted by the consultant. The City

has budgeted \$40,000 for assistance in that process. If the Urban Renewal District was formed, this City investment could become a debt that could assumed by SEDA.

REPORT OF CHAIR

None.

REPORT OF COMMITTEES

None.

PUBLIC HEARING

None.

NEW BUSINESS

a. Confirmation of Engagement Agreement Proposed for Outside Legal Counsel.

SEDA Counsel Joe Leahy presented this item. SEDA signed an agreement in January 2007 with outside legal counsel, Preston Gates & Ellis, LLP. Since that time, the firm's primary counsel to SEDA was elevated to the Oregon Supreme Court and the firm merged with an international firm. SEDA still occasionally required additional outside legal resources to provide experienced advice and outside review of the specialized documents and agreements on a project of this magnitude and financial requirements on an as-needed basis during negotiations between SEDA and Apex. Harvey Rogers and Barbara Jacobson had extensive experience in this area and in Portland. As Preston Gates and K&L Gates, the firm through Harvey Rogers also served as City of Springfield's Bond Counsel. Moreover, SEDA counsel had worked previously with the primary contact for designated service (Harvey Rogers) on similar projects.

Measures would be taken to minimize costs including the use of telephone meetings or the use of K&L Gates facility for meetings in Portland. Apex Development was also represented by legal counsel in Portland, Ball Janek.

There were sufficient funds in the SEDA budget for consulting work, including legal advice and counsel.

Mr. Leahy noted that the resumes of both Harvey Rogers and Barbara Jacobson were included in the SEDA packet. Mr. Leahy's recommendation was to continue with the firm, now named K&L Gates, and add Harvey Rogers and Barbara Jacobson. The proposed contract was enclosed for the SEDA Board's review. The contract had been reviewed by Mr. Leahy. He said a sentence in the contract that said SEDA would "waive all conflicts" was removed.

Board Member Ballew said it seemed to be an open ended contract regarding dollar amount.

Mr. Leahy said that was correct, but that could be solved by terminating the contract at a certain amount. The hourly rate was included in the contract, but it was unknown what the work load would be.

Councilor Ballew felt there should be a dollar limit that when reached could be renegotiated or terminated.

Mr. Leahy said SEDA would receive the law firm's bills on a regular basis and could determine whether or not to continue.

Mr. Tamulonis said they would only be on call, so a certain number of hours could be listed as a maximum amount.

Mr. Leahy said SEDA would hold them to \$350 per hour. Staff would include a cover letter to K&L Gates with the board members concerns and asking for some benchmarks along the way. Mr. Rogers had been a responsible biller on the Finance Department's bond work.

IT WAS MOVED BY BOARD MEMBER STEWART WITH A SECOND BY BOARD MEMBER PISHIONERI TO APPROVE THE REVISED ENGAGEMENT. THE MOTION PASSED WITH A VOTE OF 7 FOR AND 0 AGAINST (2 ABSENT – DWYER AND WYLIE).

OLD BUSINESS

a. Glenwood Market Feasibility Study.

SEDA staff member John Tamulonis presented the staff report on this item. In January 2007, SEDA agreed to fund the Leland Consulting Group's proposal for updating the market and feasibility studies for the Glenwood Riverfront area originally done in 2001 by two firms from the eastern US. The updated market study better reflects recent changes and new opportunities in the local housing and commercial markets. This update was discussed previously with SEDA as an important task to foster interest and enhance developer commitments to the Riverfront area. Apex has indicated that the study was important to their activities in proceeding in Glenwood. Such a market study update is an important tool for property negotiations and for initial development in the Glenwood area.

Leland's contract to update the market studies for the properties in the 48-acre Riverfront Development Area was delayed until suitable information could be gathered to do a credible analysis. The report covers the essentials considered in developing and redeveloping properties. The Leland report indicates the market-based development requirements for private redevelopment of land without intervention or participation in redevelopment by SEDA. The report puts numbers on why redevelopment has been stymied in Glenwood.

SEDA should consider the report's Conclusions and Recommendations on how SEDA should best be involved in redevelopment to change Glenwood. For example, SEDA staff has already begun discussions with property owners about adjusting land prices to get closer to the 'feasible land cost' in the report. Other recommended activities in the report, like improving streets and infrastructure, help overcome market constraints and make private redevelopment more feasible in the Glenwood Riverfront.

SEDA's preferences among the report's recommendations and SEDA's level of participation will help adjust the redevelopment market in Glenwood. Staff can then prepare an overall strategy for Phase 1 redevelopment. Staff will also use the SEDA Board's preferences in furthering discussions with Apex and property owners and report on progress after SEDA's summer recess.

Apex representatives have indicated they will be at the meetings July 9th regarding Glenwood planning and the market study.

Mr. Tamulonis noted that Chris Zahas from Leland Consulting Group was present and would be going over the materials and summarizing the study through a power point presentation.

Mr. Zahas presented a power point presentation on the study. The purpose of the study was to examine current market conditions, test the economic feasibility of the development project and recommend actions for SEDA. He reviewed the methodology used by Leland: Primary Research; Secondary Research; and Analysis. The 48 acres was the site of the analysis. This property included some great assets including a scenic riverfront, central location regionally, EmX services, and developer interest. There were also constraints which included fractured ownership, substandard development, lack of infrastructure in some of the areas and the regulatory process. Much of Glenwood was not currently annexed into the City and zoning was not in place in every regard.

Mr. Zahas referred to some of the socio-economic conditions outlined in the report. The Eugene/Springfield region had modest population growth, incomes were rising, and the population of one- and two-person households was two-thirds of all households in the region, which was the target population for the urban housing envisioned for Glenwood. He discussed the market analysis and that the focus was on office, residential and retail. Glenwood and downtown Springfield were not known as an office market. Downtown Eugene, Country Club Road, Gateway and RiverBend areas had most of the office market. There was relatively little activity that had gone on in this region over the last five years and most of it had occurred through owner-occupied single-user buildings, such as Royal Caribbean and Symantec. Those facilities provided a boost for construction and the job base, but were hard to predict when they might occur. The study included the residential market, both rental apartments as well as ownership housing. The focus was on the denser urban type of housing. The market was fairly good regarding apartments from a developer's point of view. After looking at all examples of new urban mixed-use housing such as condominiums and roadhouses, they determined there weren't many of them. Of those that were in existence, were located in Eugene and were proximate to shopping and services within walking distances. Glenwood currently did not have those characteristics. The redevelopment in Glenwood would not be retail driven. Retail should be considered an amenity that could add value to the project, but wouldn't be the core use. Franklin Boulevard and the riverfront property did provide visibility that would support retail. There was also the potential for restaurants, which was also considered retail, along the riverfront.

Mr. Zahas discussed the financial analysis, identifying what the economics of doing a new development along the riverfront property would pencil out. They used the residual land model, which was a typical real estate analysis. He explained why this was model was used. The cost of building, the land and labor were normally fixed by labor and materials prices. The sales prices and lease rates from the finished products was also somewhat controlled by the market conditions. The only real variable would be the original purchase price of the land. The consideration was how much the developer could pay for the land and come out with a feasible project in the end. One of the factors considered included the time value of money. Buying a developing the least amount of land for the first phase as possible was a way to save some money. Currently, mixed-use development in Glenwood could be risky because it was unprecedented and the developer would take that into account in their analysis. The analysis was specific to the

mixed-use urban concept that was described in the report. All development costs for a warehouse development, big box retail or single family neighborhood could be different.

Mr. Zahas showed a conceptual diagram of infrastructure of a four-year build out. The diagram showed a Phase I section of 12 acres. Leland recommended starting with office uses (108,000 sq. ft.), supporting retail (16,000 sq. ft.) and restaurant (12,000 sq. ft.) for support to the office uses. There was no residential recommended for the first phase of development because of the high number of industrial uses throughout Glenwood. Four or five years into the development, some residential could be included.

Mr. Zahas discussed the conclusions and recommendations. Development was feasible in Glenwood today, but overall the City or developer should proceed with caution, primarily because this was a pioneering use in this district and there was no precedent. Starting with office uses was a good strategy. If a single user could be found to occupy an entire building, that would be a great way to kick-start an office development in Glenwood. Housing could be added in future phases. He suggested looking to downtown Eugene and the Crescent Avenue area as examples for urban residential. Based on the development concept discussed, the developer would need to purchase land for about \$4.75 to \$6.25 per sq. ft. From that raw land purchase, the developer would likely be dedicating almost thirty percent of the land over to the City for streets and rights-of-way. The net land would be with the infrastructure included and the developer would be able to sell to the office use. He said if SEDA paid for the onsite infrastructure, the developer could pay up to \$9.01 per square foot.

Mr. Zahas discussed the next steps and strategies to keep revitalization moving forward. The first was to identify many projects. Revitalization involved moving many projects forward at once, both public and private development; marketing; infrastructure; parks and business development.

Public priorities:

Early (now)

- Regulatory preparation (zoning, annexation, fast-track)
- Land assembly
- Secure additional funding
- Refinement plan update

Mid-term (3-5 years)

- Infrastructure improvement (roads, utilities)

Long-term (5+ years)

- Parks and trails.

Private priorities:

Early (Now)

- Maintain existing uses
- Seek new opportunities
- Reuse old buildings
- Form business/property owner's organization

Mid-term (3-5 years)

- Introduce new commercial uses

Long-term (5+ years)

- Housing development

Joint Responsibilities:

Early (Now)

- Maintain/formalize communication networks
- Continue planning
- Marketing and promotion
- Storefront improvement program
- Land assembly
- Business recruitment

Mid-term (3-5 years)

- Public private partnerships for redevelopment

Long-term (5+ years)

- Parking management plan

Mr. Zahas noted that changes take time and progress could be choppy. He referred to a photograph of the Pearl District in Portland and noted that it was nearly twenty years in the making.

The last points on his presentation included:

- Older uses may remain
- Retain the best of history
- Insist on quality
- Build communities, not projects
- Glenwood will reach its full potential with time.

Board Member Leiken thanked Mr. Zahas for his presentation. He was glad Mr. Zahas showed the Pearl District in Portland and noted that those plans began in the 1970's. He noted that Creswell had more residential building permits than Springfield last year. Part of that was because of land price and part was because of urban living. Eugene demographically was an older age group than Springfield, and younger families were moving to outlying areas because of price of land. He said he didn't see the residential piece happening in Glenwood in the near future. The office piece made sense and the riverfront was the best location. He agreed with the idea of offices and dining areas along the riverfront and was a good starting point. It would be better to have some successes that would start the momentum. They needed to be patient as they were in Gateway, which was now one of the more vibrant areas in the metropolitan area. Partnerships were important and the University of Oregon (U of O) should get involved. The evolution of the medical community moving forward could cause changes. SEDA needed to partner with development that was successful. A commitment was needed from SEDA and a strategy to partner with private companies.

Board Member Ballew referred to Table 7, Cash Flow Analysis included in the study. She said it appeared from reading the chart that one developer would bring the property to the point where it would be ready for construction, and another person would build the facility.

Mr. Zahas said it could go either way. This analysis would serve the model of a developer that was only interested in horizontal development (readying land) and then selling it to a developer to construct the facility, or of a developer that wanted to see it all the way through. Internally in their economics the developer should be creating value every step of the way.

Board Member Woodrow said the City Council designated a certain area in downtown as blighted and had reduced SDC's for new development. He asked if that was similar to what might be considered with the private/public partnership in Glenwood.

Mr. Zahas said it was one tool. Another option would be to reduce permit times for these developments, offer a single point of contact (staff), or waive fees and charges.

Board Member Stewart asked if surrounding land values would increase as development occurred.

Mr. Zahas said it would depend. Inflation would be a factor and ideally a quality place would be created so people would pay more than market price to live or rent office space there. The 12 acres that were used as an example for Phase One could be any 12 acres in the area along the river.

Board Member Stewart said this study focused on commercial. He asked what would happen if they targeted something that would be more appealing to bring in residential quicker, such as the Oakway Mall Center. He suggested creating something more appealing than either Oakway Center or Valley River Center that would draw people from both Eugene and Springfield.

Mr. Zahas said the issue with the housing was that they needed an amenity to draw support. It would be best to have three or four housing developments going on at the same time, or it would be too risky. The multiple housing developments would create more of a neighborhood. That type of density would likely be stronger in other areas in the region than in Glenwood. That type of development was starting to happen in other areas. Investment in a hospital or University facility would change everything and accelerate development in Glenwood.

Mr. Tamulonis referred to Board Member Stewart's idea and said the riverfront was ideal for dining, with more retail along the Franklin Boulevard corridor. The developer would need to be very comfortable doing more than one type of housing or contracting out types they would not do.

Board Member Leiken said it would be challenging no matter which type of development was chosen. They needed to look realistically and try to find a niche that would work in Glenwood. There was no need to compete with Eugene. Housing would work if there was an anchor and it could eventually work that way. He didn't feel urban housing would work in this area at this time. He said dining areas along the riverfront could work and he noted the success of Roaring Rapids. Redevelopment would take time and we needed to be patient.

Mr. Zahas said if updates were made to the Refinement Plan, defining the vision should be the first task on the list. Glenwood had a stigma in this region. Those outside the region see the riverfront and the opportunities here. SEDA needed to decide how to communicate the vision to the region.

Board Member Leiken said there was also a stigma around Springfield in the region, but the City had continued to progress. There was no stigma outside of the region.

Board Member Stewart asked Mr. Tamulonis if Apex had received a copy of this study.

Mr. Tamulonis said Apex had received a copy of the draft and had planned to attend tonight's meeting, but a medical issue prevented their attending. They hoped to attend the kick-off for the Franklin Corridor Study on Tuesday night.

Board Member Stewart asked when SEDA would know how Apex felt about the study.

Mr. Tamulonis said he hoped to meet with Apex very soon to see how they saw this study. Apex had indicated they were still interested in moving forward with the project.

Mr. Zahas said Apex had expressed that interest to him as well.

Board Member Lundberg said Apex's thoughts were pivotal to what SEDA wanted to do. She could envision a lot of office in Glenwood. She asked if there was something better defined regarding what type of offices would help to get this started.

Mr. Zahas said it would be best to have businesses that drew people in throughout the day, such as medical uses. He said they didn't want to narrow down the range too much and cut off opportunities. Build flexibility in the plan to allow different types of uses because office space was not a large market in this area. He explained the benefits of having high use office space.

Board Member Ballew asked if there was a demand for office space in this area.

Mr. Zahas said the demand was coming from the population growth and new businesses were being created. Glenwood could capture part of that growth. The percentage of growth was discussed.

Board Member Woodrow asked about occupancy rates for office buildings.

Mr. Tamulonis said no one kept track of that information in this area. There were a couple of realtors in the Portland area within a 5 or 10 mile radius of their potential investments and office space and they know the lease terms and expiration dates of all businesses in that radius. There was only one firm locally that kept up with apartment buildings but no one did it in detail on the commercial side.

Mr. Zahas said some property owners keep some information on their own properties, but it was not something that was constantly updated.

Board Member Woodrow asked if the forty-eight acres was already annexed into the City.

Mr. Tamulonis said none of the area was annexed into the City. That would be the additional process for development and would be added into the timeline. The Apex configuration for the forty-eight acres was stunning and if pursued would probably require the City to amend the master plan, which would lengthen the development process. Doing something similar to the City adopted street system in the twelve-acre first phase could get it launched and make development easier and faster.

Board Member Woodrow asked if the City had to go through the County if the City wanted to declare this a blighted area or reduce SDC's.

Mr. Tamulonis said the area was already a blighted under the URD, but if the City Council wanted to reinvest funds in that area or reduce SDC's, they could do it independent of the blighted boundary of the URD.

Board Member Woodrow asked if the City could do that without County approval.

Mr. Tamulonis said that could be done without the County's involvement.

Mr. Towery said there could be a policy in place that set the standards establishing annexation that would be negotiated as part of the annexation agreement. Any reduced fees would be agreed to as part of that process, but not actually levied until development occurred.

Board Member Stewart asked if SEDA would go out and try to buy property along the river in order to implement some of the things in the plan such as trails and greenspace, or if that was something the developer would undertake with SEDA's guidance.

Mr. Tamulonis said there are several ways to look at encouraging development. The first was the suggestion to have twenty-five projects going at the same time, with those paths, etc. as some of those projects. SEDA could take the lead on doing that. The second way would be for SEDA to pay for costs for part of the project that could become a park in the twelve-acre first phase development. That would reduce the cost per square foot for the developer.

Mr. Grile said a third way would be an annexation agreement outlining a greenspace or path.

Board Member Stewart said he was trying to find things that would spur interest and development. SEDA could partner with Willamalane to get some greenspace. He asked if SEDA should be looking for other things that could locate in Glenwood that may not be in Apex's plan, such as a convention center, a baseball stadium or other amenity.

Mr. Tamulonis said SEDA had looked at baseball stadiums in two or three sites in Glenwood, as well as conference centers. Conference centers were similar to housing in that they needed other amenities nearby and would involve initiating a more complex development.

Board Member Stewart referred to the stadium in Keizer.

Mr. Towery said the Keizer urban renewal agency played a role in siting that stadium.

Mr. Tamulonis said SEDA needed to look at the interests in that area. There were a number of ways to approach such projects.

Mr. Zahas said communication was key to learn what the private sector wanted. It was important to have the community involved and pushing ideas that were important to the community.

Board Member Ballew asked how important it was for public agencies to assemble properties.

Mr. Zahas said it was important because of the time. It was more of a problem with the new eminent domain laws prohibiting public agencies using eminent domain to assemble property at market prices and then selling it to private developers. Acquiring land should be a priority of a public agency.

Board Member Ballew asked why it would take longer.

Mr. Zahas explained it depended on the timeframe and type of project.

Mr. Tamulonis said they would talk to Apex with this information and would return to the SEDA Board in early September.

ADJOURNMENT

The meeting was adjourned at 8:01 pm.

Minutes Recorder – Amy Sowa

Christine Lundberg
Secretary